KAUPTHING BANK

SECURITIES NOTE

JUNE 2007

EXISTA HF.
JUNE 2007

(incorporated in Iceland as a public limited company)

CONTENTS

1. RISK FACTORS

The Issuer believes that the following factors may affect its ability to fulfil its obligations under the Bonds. Most of these factors are contingencies which may or may not occur and the Issuer is not in a position to express a view on the likelihood of any such contingency occurring.
In addition, factors which are material for the purpose of assessing the market risks associated with the Bonds are also described below.
The Issuer believes that the factors described below represent the principal risks inherent in investing in Bonds but the inability of the Issuer to pay interest, principal or other amounts on or in connection with any Bonds may occur for other reasons which may not be considered significant risks by the Issuer based on information currently available to it or which it may not currently be able to anticipate.

Risks Relating to the Bonds

Set out below is a brief description of principal risks relating to the Bonds generally:

Issuer's liability to make payments under the Bonds

The Issuer is liable to make payments when due on the Bonds. The obligations of the Issuer under the Bonds are direct, unsecured, unconditional and unsubordinated obligations, ranking *pari passu* without any preference amongst themselves and equally with its other direct, unsecured, unconditional and unsubordinated obligations (save for any obligations required to be preferred by law).
The Issuer has not entered into any restrictive covenants in connection with the issuance of the Bonds regarding its ability to incur additional indebtedness ranking *pari passu* to the obligations under or in connection with the Bonds.

No Prior Public Market

The Bonds constitute a new issue of Bonds. Prior to listing, there has been no public market for the Bonds. Although application has been made to admit the Bonds to trading on the regulated Market of the ICEX, there can be no assurance that an active public market for the Bonds will develop and, if such a market were to develop, the Manager is under no obligation to maintain such a market. The liquidity and the market prices for the Bonds can be expected to vary with changes in market and economic conditions, the financial condition and prospects of the Issuer and other factors that generally influence the market prices of securities. Such fluctuations may significantly affect the liquidity and the market prices of the Bonds, which may trade at a discount to the price at which a purchaser purchased the Bonds.

An investment in the Bonds may not be suitable for all prospective investors

The Bonds are not suitable investments for all investors. In particular, prospective investors should not purchase the Bonds unless they have sufficient knowledge and experience to make meaningful evaluation of the credit, liquidity and market risks associated with the Bonds.
Prospective investors should possess, either alone or together with an investment advisor, the expertise necessary to evaluate the information contained in this Securities Note in the context of its financial situation and tolerance for risk. Potential Investors should carefully consider, among other things, the factors described in this section before purchasing the Bonds.

Change of law

The terms and conditions of the Bonds are based on Icelandic law in effect as at the date of this Securities Note. No assurance can be given as to the impact of any possible judicial decision or change to Icelandic law or administrative practice after the date of this Securities Note.

2. PERSON RESPONSIBLE

Exista hf., in its capacity as the Issuer, Icelandic ID-No. 610601-2350, registered office at Ármúli 3, 108 Reykjavík, Iceland, hereby declares that, having taken all reasonable care to ensure that such is the case, the information contained in this Prospectus is, to the best of its knowledge, in accordance with the facts and contains no omission likely to affect its import.

Reykjavík 28 June 2007
On behalf of the Issuer

Lýður Guðmundsson
Chairman of the board

Erlendur Hjaltason
CEO

Sigurður Valtýsson
CEO

3. MANAGER

The Manager, Kaupthing Bank hf – Capital Markets, Icelandic ID-No. 560882-0419 registered office at Borgartun 19, 105 Reykjavik, Iceland has been the advisor to the Issuer in the preparation of this Securities Note. The Manager has not independently verified the information contained herein. Accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by the Manager as to the accuracy or completeness of the information contained or incorporated in this document or any other information provided by the Issuer in connection with the Bonds. The Manager does not accept any liability in relation to the information contained or incorporated by reference in this document or any other information provided by the Issuer in connection with the Bonds.

Reykjavik, 28 June 2007
On behalf of the Manager

Ingvar Vilhjálmsson
Managing Director

Stefán Akason
Head of Fixed Income Sales

4. STATUTORY AUDITORS

The Company's accounts for the years ending 31 December 2005 and 2006 respectively have been audited and the annual accounts for these years have been endorsed without remarks by Deloitte hf., ID No. 521098-2449, Stórhöfdi 23, 110 Reykjavík, the Company's independent auditor. The account for the 1st quarter of 2007 has been reviewed without remarks by Deloitte hf.

A state authorised public accountant or accounting firm is elected as the auditor at each annual general meeting of Exista for a term of one year. The auditor examines the Company's accounts and all relevant accounting documents for each year of operation, and has access to all the Company's books and documents for this purpose. Auditors are not elected from among the members of the board of the Company or employees. The qualifications and eligibility of the auditor at elections are in other respects governed by law.

5. REFERENCES AND GLOSSARY OF TERMS AND ABBREVIATIONS

References to the "Issuer", "Exista" and "the Company" in this Securities Note shall be construed as referring to Exista hf., Icelandic ID-No. 610601-2350, unless otherwise clear from the context, and its subsidiaries and affiliates, unless otherwise clear from the context. Exista hf. is the legal Icelandic name of the Issuer.

References to "ICEX" in this Securities Note shall be construed as referring to the Iceland Stock Exchange, i.e. to Kauphöll Íslands hf., Icelandic ID-No.681298-2829, unless otherwise clear from the context. References to

the "admission to trading" and the "admission to trading on a regulated market" in this Securities Note shall be construed as referring to the admission to trading on the bond market of the Iceland Stock Exchange, unless otherwise clear from the context.
References to "ISD" in this Securities Note shall be construed as referring to the Icelandic Securities Depository, i.e. to Verdbréfaskráning Íslands hf., Icelandic ID-No. 500797-3209, Laugavegi 182, 105 Reykjavik, unless otherwise clear from the context.
References to the "Manager" in this Securities Note shall be construed as referring to Kaupthing Bank hf. – Capital markets division, Icelandic ID-No. 560882-0419, unless otherwise clear from the context.
References to the "Bond issue" or "the Bonds" in this Securities Note shall be construed as referring to the bond issue of ISK 3,000,000,000 which is described in this Securities Note, unless otherwise clear from the context.

6. DOCUMENTS INCORPORATED BY REFERENCE AND FOR DISPLAY

The Registration document and the appendices, which is a part of the prospectus dated 31 August 2006 and published 1 September 2006, is issued by the Issuer in respect of the share offering and which constitutes a Registration document, a Share Securities note and a Summary note for the purposes of the Prospectus Directive form part of this Prospectus in its entirety. This Securities Note must be read in conjunction with the Registration Document and the appendices full information on the Issuer is only available on the basis of the combination of this Securities Note, the Registration Document and the appendices.

The following documents are incorporated herein by reference to, and form part of, this Prospectus:

a. The annual account of Exista hf. for the operating year 2005.
b. The annual account of Exista hf. for the operating year 2006
c. The interim account of Exista hf. for Q1 2007

This Securities Note and aforementioned Registration document form this Prospectus. Copies of the aforementioned documents which form a part of this Prospectus and documents for display can be obtained from the Issuer's office and website (www.exista.is). In addition, such documents will be available, for Bonds admitted to the official list of the ICEX and to trading on the Regulated Market of the Iceland Stock Exchange. This Prospectus will be published on the ICEX's news web (http:// omxgroup.com/nordicexchange/Markadsfrettir/Fyrirtaekjatilkynningar/) when the Bonds will be admitted to trading.

7. NOTICE TO INVESTORS

In making an investment decision, potential investors should carefully consider the merits and risks of an investment in the Bonds and carefully review the terms and conditions of the Bonds described under Issue and Bond characteristics.
No person is or has been authorised by the Issuer to give any information or to make any representation not contained in or not consistent with this Securities Note or any other information supplied in connection with the Bonds and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuer or the Manager.
Neither this Securities Note nor any other information supplied in connection with the Bonds (a) is intended to provide the basis for any credit or other evaluation; or (b) should be considered as a recommendation by the Issuer or the Manager that any recipient of this Securities Note or any other information supplied in connection with the Bonds should purchase any Bonds. Each investor contemplating purchasing any Bonds should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the Issuer. Neither this Securities Note nor any other information supplied in connection with the Issuer constitutes an offer or invitation by or on behalf of the Issuer or the Manager to any person to subscribe for or to purchase any Bonds.
Neither the delivery of this Securities Note nor the offering, sale or delivery of any Bonds shall under any circumstances imply that the information contained herein concerning the Issuer is correct at any time subsequent to the date hereof or that any other information supplied in connection with the Bonds is correct as of any time subsequent to the date indicated in the document containing the same. The Manager expressly does not undertake to review the financial condition or affairs of the Issuer during the life of the Bonds or to advise any investor in the Bonds of any information coming to their attention.
The Bonds have not been and will not be registered under the United States Securities Act of 1933, as amended (the **Securities Act**) and are subject to U.S. tax law requirements. Subject to certain exceptions, Bonds may not be offered, sold or delivered within the United States or to U.S. persons.

8. KEY INFORMATION

In addition to any fees payable to the Manager in connection with this issue, the Issuer's and the Bank's interests are connected in the following manner:

- At 27 June 2007 Exista is the largest shareholder in Kaupthing Bank holding 23.0%.
- Exista is a customer of Kaupthing Bank's Investment Banking, Capital Markets and Corporate Banking divisions.
- Kaupthing Bank is among Exista's largest creditors.
- Both Kaupthing Bank and Exista own significant holdings in Icelandic Telecom hf. and Flaga Group hf.

9. INFORMATION CONCERNING THE SECURITIES TO BE ADMITTED TO TRADING

Authorisation

The board of Exista authorised a bond issue for ISK 10,000,000,000 at a board meeting held on 26 April 2007. This Issuer has at the date of this Securities Note issued bonds amounting in total to ISK 3,000,000,000 under EXISTA 07 2.

Issue and Bond characteristics

The Bonds are interest-bearing securities issued electronically at the Icelandic Securities Depository and are registered there under the name of the relevant bondholder or his/her nominee. The Bonds are all in the same class, and the ticker symbol on ICEX will be EXISTA 07 2.
The Bonds constitute direct, unconditional, unsubordinated and unsecured obligations of the Issuer and rank pari passu among themselves and (save for certain obligations required to be preferred by law) equally with all other unsecured obligations (other than subordinated obligations, if any) of the Issuer.

Date of issue:	29 May 2007
Nominal amount:	ISK 10,000,000,000
Issued amount:	ISK 3,000,000,000
Denomination:	ISK 5,000,000
Currency:	ISK
Interest rates:	The rate of interest payable on the Bonds is 3 months REIBOR + 150 bps. Interest are calculated from 29 May 2007. The first coupon date is 29 August 2007. Interest shall be determined at the start of each interest period and should be equivalent to 3-month REIBOR rates as published on the website of the Central Bank of Iceland at the end of the day two business days prior to each maturity date, plus the aforementioned premium, and shall be valid for the next interest period.
Price indexation:	The bonds are not indexed.
-Calculation agent:	Kaupthing Bank
-Paying agent:	Kaupthing Bank
Depository agent:	Icelandic Securities Depository
Interest payment dates:	29 May, 29 August, 29 November, 29 February with the first interest payment date being 29 August 2007 and the last being 29 May 2009.
Maturity date:	The principal will be repaid in full in one payment on 29 May 2009. The principal will be repaid in full in one payment on 16 January 2009. The Bonds are not redeemable but if the capital ratio of the Issuer falls below 20% of the balance on the Issuer's balance sheet, the Issuer has 30 days to raise it above 20% again. Failing this, the owner of the bond has the right to call the bond unilaterally and without warning or notification or any special cancellations and demand the issuer to pay the balance remaining on the bond, in addition to the accrued interest, penalty charges and any other costs the owner of the bond may incur during the collection process. The aforesaid capital threshold shall be determined from the audited annual accounts or the periodic financial statements, reviewed by a certified auditor, that will appear on the OMX news site at six month intervals.
Method of payment:	All amounts payable under the Bonds will be paid to relevant financial institution where the registered owner has his/her VS account.
Indication of yield:	15.83%, at the first date of the selling period.
Day count fraction:	Interest shall be calculated on the basis of the rule Act/360. Each Interest Period shall be of one year duration.

Market making:	Kaupthing Bank will act as market maker for the bonds on the ICEX. Each day the bank will submit bids and asks for a minimum of ISK 50 million at nominal value and renew accepted bids and asks within 60 minutes. If the total amount of trades has exceeded ISK 100 million at nominal value in the course of the day, the bank reserves the right to stop submitting bid and asks until the next day. The bid-ask spread shall not be more than 0.75%. The market making agreement may be terminated at a minimum of one month's notice.The market making process shall begin on the 4th of July 2007.
Restrictions on transfer:	There are no restrictions on transferring the Bonds to other parties.
ISIN code:	IS0000014918

Event of Default, Acceleration and Enforcement

In the event of default of payment of the principal or interest on any bond, it is permitted to declare the Bonds immediately due and payable, whereupon it shall become immediately due and payable at its outstanding principal amount together with accrued interest. If default occurs the Issuer shall furthermore pay default interest at the rate determined by the Central Bank of Iceland, cf. paragraph 1, article 6 of Act no. 38/2001.

Prescription

The Bonds will become void in accordance with Act no. 14/1905 unless presented for payment within 10 years (in the case of principal) and four years (in the case of interest or any other amount) after the Relevant Date.

Taxation

All payments in respect of the Bonds by the Issuer will be made without withholding or deduction for or on account of any present or future taxes or duties of whatever nature imposed or levied by or on behalf of any tax jurisdiction unless such withholding or deduction is required by law. In such event, the Issuer will not pay any additional amounts in respect of amounts withheld pursuant to such withholding or deduction.

Governing law

The governing law is Icelandic law. The Issuer irrevocably agrees that any dispute shall be subject to the exclusive jurisdiction of the District Court of Reykjavík (Héraðsdómur Reykjavíkur).
Legal action regarding the Bonds may be proceeded with in accordance with the Act on Civil Procedure no. 91/1991 (Lög um meðferð einkamála) Chapter 17. The Bonds are registered electronicly and are therefore subject to the Act No. 131/1997 on Electronic Registration of Title to Securities .

Admission to trading and expenses relating thereto

Application was made to the Iceland Stock Exchange (the **ICEX**) as the competent authority in Iceland for the purpose of Directive 2003/71/EC (the **Prospectus Directive**), the Icelandic law no. 33/2003, as amended and the relevant regulations based on the law for approval of this Securities Note. ICEX has scrutinized and approved this Securities Note, which is only published in English. Application has also been made for the Notes to be admitted to trading on the regulated market of the ICEX, which is an EU regulated market within the meaning of Directive 2004/39/EC.

The Bonds will be admitted to trading on the Iceland Stock Exchange, on 29 June, 2007 (EXISTA 06 3).
The expenses related the listing of the Bonds ISK 450,000 according to ICEX fee structure. Annual expenses because of this listing will be fixed fee of ISK 165,000 plus a variable fee of 0.001% of the market value of the Bonds according to ICEX fee structure. The estimated cost at the ISD is ISK 120,000. The Issuers cost relating to the preparation of the Prospectus is ISK 250,000.

10. FINANCIAL INFORMATION CONCERNING THE ISSUER'S ASSETS AND LIABILITIES, FINANCIAL POSITION AND PROFITS AND LOSSES AND NEW DEVELOPMENTS

Operations

Exista is a financial services company with operations in the areas of insurance and asset financing and investment activities. With centralized risk management, finance and communications, the group aims at becoming a leading financial services company with northern Europe as its primary market.

Exista aims at expanding its insurance and asset financing business, with a focus on diversification in income streams, strong cash flows and sound financial fundamentals. At the same time, Exista has ambitions to further increase and diversify its portfolio of assets in line with its mission and strategy statements.

Exista operates one of the largest non-life insurance companies in Iceland, Vátryggingafélag Íslands hf., with a market share of about 30% in the Icelandic market. Exista also operates Lífís, a life insurance company, Lýsing hf. which is the largest specialized asset financing company in Iceland and Öryggismiðstöð Íslands ehf. which offers security solutions for individuals and businesses.

Exista is the largest shareholder in Kaupthing Bank, with a 23.0% stake, the largest shareholder in Sampo Group, with a 15.6% stake, the largest shareholder in Bakkavör Group, with a 39.6% stake and the largest shareholder in Iceland Telecom, with a 43.6% stake, and has other short-term and long-term investments in a diversified portfolio.

Exista is listed on the OMX Nordic Exchange as EXISTA.

FINANCIAL REPORT 2006

Profitability
Exista´s profit before tax in 2006 totaled ISK 38,280 million (EUR 405 million), as opposed to ISK 45,925 million (EUR 485) in 2005. Profit after taxes totalled ISK 37,409 million (EUR 395 million), as compared with ISK 50,315 million (EUR 532 million) in the prior year.

Revenues
Total revenues amounted to ISK 61,083 million (EUR 646 million) in 2006, as opposed to ISK 50,700 million (EUR 536 million) for the prior year.

Financial assets at fair value yielded capital gains of ISK 31,348 million (EUR 331 million) during 2006, as opposed to ISK 48,952 million (EUR 517 million) in 2005.

The gain on financial assets held for trading for 2006 totaled ISK 11,309 million (EUR 120 million), as opposed to a gain of ISK 960 million (EUR 10 million) during 2005. Dividend income totaled ISK 6,902 million (EUR 73 million) for 2006, as opposed to ISK 687 million (EUR 7 million) for the year 2005. This increase is largely due to an extraordinary dividend payment from Kaupthing bank in October. The dividends were paid with Exista shares, which are deducted from the Group's equity at year-end. The asset finance arm is included in the Group accounts as of 1 June. Interest income, which is generated primarily by asset finance activities, totaled ISK 4,411 million (EUR 47 million) during 2006 for the Group, but interest income was ISK 102 million (EUR 1 million) for the year 2005.

Premiums from insurance underwriting were included in the Group accounts as of 1 June and therefore cover a period of seven months. Life and non-life insurance premiums totaled ISK 6,452 million (EUR 68 million) for that seven-month period, including ISK 2,278 million in the fourth quarter.

Other revenues totaled ISK 662 million (EUR 7 million) as opposed to ISK 0 in 2005.

Expenses
Total expenses amounted to ISK 9,613 million (EUR 102 million) during the year, as opposed to ISK 245 million (EUR 3 million) for the prior year. This reflects the substantial changes that Exista has undergone in the wake of its acquisition of VÍS Holdings on 1 June and its transformation from an investment company to a financial services group.

Insurance claims were included in the Group accounts as of 1 June, totaling ISK 5,136 million (EUR 54 million) for the seven-month period.

Operating expenses for the year as a whole totaled ISK 4,476 million (EUR 47 million), as opposed to ISK 245 million (EUR 3 million) for the prior year, reflecting the substantially increased scope of Exista's operations following the addition of insurance and asset financing companies to the Group's operations.

Operating profit, financial expenses and taxes
The Groups´s profit before financial expenses for the year 2006 totaled ISK 51,470 million (EUR 544 million), as opposed to ISK 50,455 million (EUR 533 million) in 2005.

Interest expenses amounted to ISK 9,123 million (EUR 96 million) during the year, as compared with ISK 3,562 million (EUR 38 million) during 2005. Of the increase between years, ISK 1,651 million can be traced to the asset financing activities that were included in the Group accounts as of 1 June. The fourth quarters interest expenses amounted to ISK 3,356 million.

The net foreign exchange difference was negative in the amount of ISK 4,067 million (EUR 43 million) for the year 2006 as a whole but negative of ISK 967 million (EUR 10 million) the prior year. The Group actively manages its foreign exchange balance, but currency exposure was less than 10% of equity at year-end 2006.

Income tax was negative in the amount of ISK 872 million (EUR 9 million) for the year 2006.

INTERIM REPORT, FIRST QUARTER 2007

Two fundamental changes have been made in the Group's accounting methods since the issuance of the last financial statements:
As was stated in Exista's last report of operating results, dated 8 February 2007, the Board of Directors has decided to change the accounting method pertaining to its long-term holdings in financial companies as of the first quarter of 2007. The equity method is now used for the Group's strategic holdings in financial companies, whereas all strategic holdings were previously recorded at fair value. By doing this, the Group emphasises financial services as the core of its operations for the long term. Strategic holdings in companies not engaged in financial services will continue to be assessed at fair value.
Exista's report of 8 February 2007 stated that the Company had filed an application to the Register of Annual Accounts prior to 1 November 2006, requesting permission to record its financial statements in Euros beginning in the first quarter of 2007. This permission has been granted, and Exista's Board has decided to utilize it.
It is also appropriate to stress that, as of 1 June 2006, the insurance company VÍS and the asset financing company Lýsing were included in Exista's consolidated accounts, as were other assets of VÍS Holdings. The addition of those businesses made a substantial impact on revenue and expense items for the Group, as well as affecting the balance sheet.
It is therefore clear that the Company and its accounts have changed considerably, and this must be taken into consideration in any comparison between quarters and years.

The following EUR/ISK exchange rates are used in comparisons:
- Average exchange rate for the first quarter of 2006: 78.46
- Average exchange rate for the first quarter of 2007: 89.26
- Year-end exchange rate as of 31 December 2006: 94.61
- Closing exchange rate for the quarter ending 31 March 2007: 87.63

Profitability
Exista's profit before tax for the first quarter of 2007 was EUR 597.5 million, as opposed to EUR 110.2 million for the same period in 2006. After-tax profit totaled EUR 640.7 million, compared with EUR 106.8 million for the same period in the prior year.

Revenues
The Group's total revenue amounted to EUR 668.0 million for the first quarter, whereas it totaled EUR 168.2 million in the same period a year ago. Financial assets at fair value yielded capital gains of EUR 38.2 million for the first quarter, as opposed to EUR 125.0 million for the same period in 2006. This year-on-year drop is explained primarily by the fact that trading gains on shares in Kaupthing Bank are no longer recorded as they were previously; instead, the Company records its holdings in the bank using the equity method. Financial assets held for trading yielded gains of EUR 110.8 million during the period, as opposed to EUR 22.0 million during the same period a year ago.

The Group's dividend income according to the income statement amounted to EUR 5.0 million for the first quarter, as compared with EUR 21.0 million for the same period in 2006. This reduction is explained chiefly by the fact that dividends received from Kaupthing Bank, which totaled EUR 26.7 million for the first quarter of 2007, are no longer recorded as income. Dividends of associated companies are recorded as a reduction in book value in the balance sheet.

Interest income, which is generated primarily by the Group's asset financing operations, totaled EUR 18.4 million during the quarter. Asset financing activities were first included in the Group accounts in June 2006; therefore, interest income was negligible during the first quarter of that year.

Premium income from insurance companies was also included in the Group accounts for the first time in June 2006. Income from life and non-life insurance premiums totaled EUR 35.2 million during the first quarter of 2007.

As is explained above, Exista now records its share in the profit of the financial companies Sampo Group and Kaupthing Bank. Share in profit of associates is therefore a new item in the Group accounts this quarter, totaling EUR 457.0 million. The share of its profit is based on market estimates (market consensus) for the companies in question during the period. If actual profit deviates from estimated profit, the difference is recorded as income or expense in the next financial statements.

Expenses
The Group's total expenses, including insurance claims, totaled EUR 43.2 million for the first quarter. During the same period in 2006, total expenses amounted to only EUR 1.6 million, which reflects the effect that the addition of insurance and asset finance businesses has had on the Group's operations.
Life and non-life insurance claims, which totaled EUR 26.5 million during the first quarter of 2007, were not included in the Group accounts during the same period a year ago. Operating expenses were EUR 16.7 million during the first quarter.

Operating profit, financial expenses, and taxes
The Group's profit before financial expenses amounted to EUR 624.8 million for the first quarter, whereas it totalled EUR 166.6 million for the same period a year ago.

Interest expenses amounted to EUR 56.4 million for the first quarter, as opposed to EUR 17.4 million in the first quarter of 2006.

Net foreign exchange difference was positive in the amount of EUR 29.0 million during the first quarter, whereas it was negative in the amount of EUR 39.1 million for the same period a year ago. In recent years, Exista has financed a portion of its long-term Icelandic assets in currencies other than the Icelandic króna because of the high interest rates in Iceland.

Income tax was positive in the amount of EUR 43.2 million during the period, while it was negative in the amount of EUR 3.4 million during the same period a year ago. As was stated in the Company's last financial report, a deferred income tax liability was dissolved in the first quarter.

Key Figures - Exista hf.

Income Statement in EUR

(EUR m)	Q1 2007*	2006*	2005*
Financial assets designated at fair value through P&L	38.2	331	517
Financial assets held for trading	110.8	120	10
Dividends	5.0	73	7
Interest	18.4	47	1
Insurance premiums	35.2	68	0
Share in profit of associates	457	0	0
Other revenues	3.3	7	0
Total revenues	**668**	**646**	**536**
Insurance claims	-26.5	-54	0
Operating expenses	-16.7	-47	-3
Total expenses	**-43.2**	**-102**	**-3**
Profit before financial expenses	**624.8**	**544**	**533**
Interest expenses	-56.4	-96	-38
Foreign exchange difference	29	-43	-10
Financial expenses		**-139**	**-48**
Profit before tax	**597.5**	**405**	**485**
Income tax	43.2	-9	46
Profit for the period/ year	**640.7**	**395**	**532**

*** The following EUR/ISK exchange rates are used in comparisons:**
- Average exchange rate for the first quarter of 2006: 78.46
- Average exchange rate for the first quarter of 2007: 89.26
- Year-end exchange rate as of 31 December 2006: 94.61
- Closing exchange rate for the quarter ending 31 March 2007: 87.63

Balance Sheet

Assets

Exista's total assets amounted to EUR 6,762 million as of 31 March 2007, an increase of EUR 2,367 million, or 54%, since the beginning of the year. The increase is explained in part by the Group's purchase of a stake in the Nordic financial services group Sampo Oyj.

Financial assets at fair value totaled EUR 850 million at the end of March. This is a decrease of EUR 1,423 million, or 63%, since the beginning of the year. The main reason for this change is that the Group's share in Kaupthing Bank is no longer entered at fair value but rather as an investment in an associate. Listed shares totaled approximately EUR 645 million, most of which consists of shares in Bakkavör Group (EUR 641 million). Shares in unlisted companies, which totaled EUR 204 million, consist largely of shares in Iceland Telecom (Síminn) (EUR 154 million), which are recorded at the original purchase price.

Financial assets held for trading totaled EUR 478 million at the end of the period, after having decreased by roughly EUR 359 million since the beginning of the year. The drop is partially explained by the fact that shares in Sampo Group are now classified as an investment in an associate. The vast majority of financial assets held for trading, or EUR 357 million, are listed equities, bonds, and funds.

Loans and accounts receivable totaled some EUR 773 million at the end of March and are mostly due to the Group's asset financing activities. In all, asset financing agreements and loans totaled EUR 603 million for the first quarter.
The Group's goodwill was valued at EUR 465 million as of the end of March and is due to the purchase of insurance and asset financing businesses. Goodwill amounts to 6.8% of total assets.

Holdings in associated companies were valued at EUR 4,057 million at the end of the first quarter of the year. A substantial portion of these holdings is the Group's stake in the financial companies Sampo Group and Kaupthing Bank. In the Group's accounts, the book value of these assets is EUR 2.4 million under market value according to the market price of 31 March.

Reinsurance assets totaled EUR 16 million at the end of March. Operational assets totaled EUR 13 million at the end of the quarter, and cash and cash equivalents amounted to EUR 88 million. Other assets totaled EUR 22 million.

Liabilities and equity

Exista's total liabilities amounted to EUR 4,119 million as of 31 March 2007, which is an increase of EUR 1,624 million since the beginning of the year. In broad terms, Exista's liabilities consist of borrowings and technical provisions.

Borrowings totalled EUR 3,668 million at the end of the period, an increase of approximately EUR 1,485 million since the beginning of the year. Of Exista's outstanding borrowings at the end of the quarter, EUR 624 million is related to asset financing activities.

Technical provisions for life and non-life insurance totaled EUR 279 million at the end of the period, an increase of about EUR 55 million since the beginning of the year.

The Group's deferred income tax liability amounted to EUR 21 million at the end of March, whereas it was EUR 60 million at the beginning of the year.

The Group's equity totaled EUR 2,643 million as of 31 March 2007, which is an increase of EUR 743 million since the beginning of the year. Dividends paid for the prior year amounted to EUR 124 million, while newly issued shares totaled EUR 146 million.

Minority interest amounts to just below EUR 5 million; therefore, shareholders' equity is EUR 2,639 million.

The Group's equity ratio was 39.1% as of 31 March 2007; however, the equity ratio was 42.6% if the Company's asset financing activities are excluded. The legally required minimum CAD ratio for asset financing businesses in Iceland is 8%, whereas Lýsing's CAD ratio was 11.7% at the end of March.

Consolidated Balance Sheet

(EUR m)	31 Mar 2007	31 Dec 2006	Change
Assets			
Financial assets designated at fair value	849.5	2,272.7	-67%
Financial assets held for trading	478.1	837.0	-43%
Loans and accounts receivable	773.5	703.8	10%
Goodwill	464.6	464.8	0%
Associates	4,056.8	0	
Reinsurance assets	15.7	15.8	-1%
Operational assets	13.4	12.2	9%
Cash and cash equivalents	88.4	76.1	16%
Other assets	22.2	12.6	76%
Total assets	**6,762.2**	**4,395.1**	**54%**
Equity			
Share capital	120.6	112.3	7%
Statutory reserves	22.8	22.8	0%
Capital reserves	892.7	697.9	28%
Translation reserve	24.4	-	
Retained earnings	1,578.3	1,061.3	49%
Shareholders´ equity	**2,643.4**	**1,894.3**	**39%**
Minority interest	4.6	5.9	-22%
Total equity	**2,643.4**	**1,900.2**	**39%**
Liabilities			
Borrowings	3,668.3	2,183.0	68%
Technical provisions	278.8	223.9	25%
Deferred Income tax liability	21.1	60.2	-65%
Other liabilities	150.6	27.8	442%
Total liabilities	**4,118.9**	**2,494.9**	**65%**
Total equity and liabilities	**6,762.2**	**4,395.1**	**54%**

Exista sells Vordur Islandstrygging hf.
Exista sold its 56.65% stake in Vordur Islandstrygging hf. in October 2006. The sale price is confidential and it is not expected to have a substantial effect on Exista profit and loss account or balance sheet. The sale is contingent on the approval of the FME, The Financial Supervisory Authority, Iceland.

Exista acquires 15.48% shareholding in Finnish Group Sampo
On 8 February it was announced that Exista had gained control of 90,118,408 A-shares in Sampo Group in Finland, representing 15,48% of total share capital. After Sampo´s share capital reduction in February, Exista´s holding amounted to 15,6% of total share capital in the company. As a result of the purchase, Exista is the largest shareholder in Sampo Group, followed by the Finnish government, with a holding of 13,7% and the pension company Varma, which holds 8.5%. The transaction is financed with a combination of debt facilities, issuance of new shares, own shares and cash.

In relation to the purchase, and subject to the completion of the transaction, the Board of Directors of Exista has made a commitment to exercise its authority to issue 526,652,209 new shares in Exista, which will be used as a payment in the transaction. Following the payment of new shares and Exista´s own shares, the Tchenguiz Family Trust will become the beneficial owner of 559,404,098 shares in Exista.

In a letter to Exista dated 5 April 2007, the Finnish Insurance Supervision Authority (ISA) formally approved Exista´s ownership of a holding of 15.58% of the shares in Sampo. Without further notification to ISA, Exista may thereby under Finnish law hold up to 20% shares in Sampo.

Sampo Oyj is the leading Nordic insurer with an annual premium income of 3.5 billion euros in P&C insurance and 600 million euros in life insurance. Sampo Oyj comprises of If, the leading P&C insurance company in the Nordic and the Baltic countries, and Sampo Life, a life and pension insurer. Sampo is also a significant investor on the Nordic scale, with investment assets in excess of 20 billion euros. Sampo Oyj is listed on the OMX Helsinki Stock Exchange.

This strategic investment is considered to be long-term and it reflects Exista´s faith in Sampo's future as a leading player in the Nordic financial markets. It fits perfectly with Exista's focus on financial services and meets its criteria of solid financials, strong market position and competent management.

Robert Tchenguiz takes a seat on the Board of Directors of Exista hf.
At the Exista Annual General Meeting held on March 14 2007, Robert Tchenguiz was elected to the Board of Directors for a term of one year.
Other Board Members are Agust Gudmundsson, Bogi Oskar Palsson, Gudmundur Hauksson, Lydur Gudmundsson and Sigurjon Runar Rafnsson.

Changes in the Company´s accounting methods
As was stated in Exista's announcement of its operating results for the year 2006, the Company decided to change its method of reporting for its share in strategic holdings effective 1 January 2007. The equity method is now used to record the Company's strategic investments in financial companies; that is, in Sampo Oyj (15.6%) and Kaupthing Bank (23.0%).

Prior to this change, all of the Group's strategic holdings were assessed at fair value, and this practise will continue with regard to non-financial companies, such as Bakkavör Group (39.6%), which is assessed at market value, and Síminn (43.6%), which is valued at the original purchase price.

These changes have been made in order to emphasise financial services as the Group's core business. Exista's strategic holdings in financial companies are long-term investments. Upon quarterly revaluation of the fair value of long-term assets, short-term market fluctuations can make a considerable impact on the recorded operating performance in individual quarters. By recording the share in the profit of long-term strategic assets, the Company expects that fluctuations will diminish and stability in operating revenue will increase.

Application for Euro accounting
Exista applied for permission to report financial accounts in Euros instead of the Icelandic króna as of 1 January 2007 to the Register of Annual Accounts prior to 1 November 2006. This permission was granted and Exista´s Board of Directors decided to utilize it.

Exista's operational region is Northern Europe, and the majority of the Group's revenue and expenses are in currencies other than the Icelandic króna, particularly the euro. In addition, the Group's primary opportunities for growth – both for operating business and for investment businesses – are outside Iceland. The weight of the euro is further increased on the revenue side of the Group now that it uses the equity method to record its strategic holdings in the financial services sector. On the liability side, the Group's financing takes place primarily in euros on international financial markets. Therefore, reporting in euros should significantly reduce currency exchange discrepancies in revenue and liabilities. The authority to prepare the Group's accounts in euros has now been granted, and Exista's Board has decided to utilise it beginning with the interim statements for the first quarter of 2007.

Proposal to quote shares in Euros

The Exista´s Annual General Meeting approved the proposal to grant the Board the authority to decide to issue share capital in euros instead of Icelandic krónas if the Board considers it feasible.

Exista sells IGI Group Ltd.

Exista sold its 54,4% share in the UK insurance company IGI Group Ltd. to AmTrust International Insurance Ltd. in April 2007. The sale price is confidential and the sale is expected to have insubstantial effect on Exista´s profit and loss account or balance sheet.